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BEFORE THE ARIZONA CORPORATION COMMISSION

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SUSAN BITTER SMITH

Chairman

BOB STUMP

Commissioner

BOB BURNS

Commissioner

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Commissioner

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Commissioner

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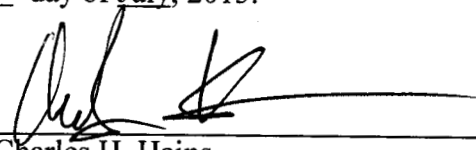
IN THE MATTER OF COMMISSION PIPELINE  
SAFETY SECTION STAFF'S COMPLAINT  
AGAINST DESERT GAS, LP FOR VIOLATIONS  
OF COMMISSION RULES.

DOCKET NO. G-20923A-15-0030

NOTICE OF FILING  
STAFF DIRECT TESTIMONY

Staff of the Arizona Corporation Commission ("Staff") hereby files the Direct Testimony of  
Robert E. Miller, in the above referenced docket

RESPECTFULLY SUBMITTED this 22<sup>nd</sup> day of July, 2015.

  
Charles H. Hains  
Attorney, Legal Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007  
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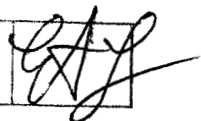
The original and thirteen (13) copies  
of the foregoing were filed this  
22<sup>nd</sup> day of July, 2015 with:

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1200 West Washington Street  
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Arizona Corporation Commission  
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1 Copy of the foregoing mailed this  
2 22<sup>nd</sup> day of July, 2015 to:

3 Bret Bartholomey  
4 Desert Gas, LP  
5 1709 Utica Square – 240  
6 Tulsa, OK 74114

7 Mr. Raymond Latchem, President  
8 Desert Gas Services  
9 1709 Utica Square – 240  
10 Tulsa, OK 74114

11 Mr. Robert E. Marvin  
12 Director, Safety Division  
13 Arizona Corporation Commission  
14 2200 North Central Avenue, Suite #300  
15 Phoenix, AZ 85004

16 Jason D. Gellman  
17 Snell & Wilmer, LLP  
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19 400 East Van Buren Street, Suite 1900  
20 Phoenix, Arizona 85004  
21 Attorney for Desert Gas, LP  
22  
23  
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26  
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28

*Roseann Osorio*

**BEFORE THE ARIZONA CORPORATION COMMISSION**

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IN THE MATTER OF COMMISSION PIPELINE )  
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\_\_\_\_\_ )

DOCKET NO. G-20923A-15-0030

TESTIMONY

SUPPORTING THE SETTLEMENT AGREEMENT

OF

ROBERT E. MILLER

PIPELINE SAFETY SECTION MANAGER

SAFETY DIVISION

ARIZONA CORPORATION COMMISSION

JULY 22, 2015

**EXECUTIVE SUMMARY  
STAFF'S COMPLAINT AGAINST  
DESERT GAS, LP  
DOCKET NO. G-20923A-15-0030**

This testimony addresses Staff's view of the Settlement Agreement reached between Staff and Desert Gas, LP to resolve all issues surrounding the Staff Complaint.

**INTRODUCTION:**

**Q. Please state your name and business address.**

**A. Robert E Miller, 2200 North Central Avenue Suite 300 85004**

**Q. By whom and in what capacity are you employed?**

**A. I am employed by the Arizona Corporation Commission ("Commission") as the Program Manager of the Pipeline Safety Section.**

**Q. Please state your pertinent work experience.**

**A. From 1969 to 1996, I was employed in the pipeline construction industry in various capacities beginning as labor and advancing to General Manager of Pipeline construction for companies specializing in regulated pipeline construction and maintenance.**

**From November 1996 to April 2006, I served as pipeline safety inspector for the Commission.**

**In 2006, I was promoted to Program Manager of the Pipeline Safety Section. My primary duties as Program Manager include managing the day to day operations of the Pipeline Safety Section, assuring the quality and accuracy of all pipeline safety inspections conducted and verifying the factual information contained in inspection reports generated by Staff and assuring that Staff adhere to all established policies and procedures in the execution of their duties.**

1 **PURPOSE:**

2 **Q. What is the purpose of your testimony?**

3 **A.** The purpose of my testimony is to support the proposed settlement agreement  
4 ("agreement") between the Commission and Desert Gas, LP ("DG"). I will also provide  
5 testimony to the public interest benefits.  
6

7 **Q. Did you participate in the negotiations that led to the execution of the Agreement?**

8 **A.** Yes, I did.  
9

10 **Q. Were the Signatories able to resolve all issues?**

11 **A.** Yes, they were.  
12

13 **Q. How would you describe the negotiations?**

14 **A.** I would characterizes the negotiations as being open, transparent and cooperative with all  
15 parties having the opportunity to raise, discuss and propose resolutions to any issue they  
16 desired.  
17

18 **Q. Would you describe the process as requiring give and take?**

19 **A.** Yes, both parties negotiated their positions on how best to resolve the issues and come to  
20 the resolution in the Agreement.  
21

22 **Q. Because of such compromising do you believe that the public interest was**  
23 **compromised?**

24 **A.** No, I do not.  
25  
26

1 **Q. What are the principal benefits of the Agreement from Staff's perspective?**

2 A. This agreement addresses a number of issues that will serve to enhance and improve the  
3 safe operation of this facility, thereby providing an improved level of safety for those that  
4 are actively employed by DG and to the public in the vicinity of the DG facility. New  
5 policies and procedures have been initiated to prevent a recurrence of the issues that  
6 resulted in this action being taken. Additionally, communications between the operator  
7 and Staff have improved as a result of the agreement. The operator of this facility has and  
8 will be continuing to contact Commission Staff prior to commencing new construction to  
9 assure compliance with regulations and to schedule inspections of the work by  
10 Commission Staff.  
11

12 **Q. Please describe Part 1 of the Agreement.**

13 A. Part 1, Testing of Welds, requires DG to cease operations of the methane compressor until  
14 100 percent of all welds have been radiographed and the system has been pressure tested.  
15 At this time DG has voluntarily complied fully with this section of the Agreement.  
16

17 **Q. Please describe Part 2 of the Agreement.**

18 A. Part 2, Additional Staffing, requires DG to retain a trained and qualified welding inspector  
19 to ensure that all future welding at the DG facility meets all regulatory requirements.  
20

21 **Q. Please describe Part 3 of the Agreement.**

22 A. Part 3, Future Testing of Welds, requires DG to test all future welds at the facility and to  
23 notify Commission Staff no less than 72 hours prior to the testing taking place.  
24  
25  
26

1     **Q.     Please describe Part 4 of the Agreement.**

2     **A.**Part 4, Procedures Regarding Future Welding, requires DG to develop written procedures  
3     for all future work involving additions to the DG facility and assure that all contractors  
4     and welders have necessary training and qualifications to execute the written the  
5     procedure.

6  
7     DG further agrees to make notification to the Commission no less than ten days prior to  
8     any welding taking place and to provide copies of all welding procedures and welder  
9     qualifications to the Commission.

10  
11    **Q.     Please describe Part 5 of the Agreement.**

12    **A.**Pursuant to Part 5, Safety Management System ("SMS"), DG agrees to establish a formal  
13    process for the implementation of a SMS program following the guidance established in  
14    the American Petroleum Institute Recommended Practice 1173 ("API-1173"). DG agrees  
15    to establish a safety office at their facility dedicated to implementation of the SMS  
16    program. In keeping with the API-1173 guidance, DG shall hold quarterly and annual  
17    meetings that shall include DG's Chief Executive Officer, management staff and DG  
18    employees. DG shall also conduct annual reviews of the SMS program at which  
19    Commission Staff shall have the opportunity to participate. DG shall also establish a  
20    written safety manual appropriate to the DG facility. Records of all SMS meetings and  
21    reviews shall be maintained for the life of the system.

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1     **Q.     Please describe Part 6 of the Agreement.**

2     **A.     Pursuant to Part 6, Immediate Payment and Future Payment, DG agrees to make an**  
3           immediate payment of \$7,500 to the Arizona General Fund and further agrees to make an  
4           additional payment of \$42,500 should DG be found to have not complied with the terms  
5           of the Agreement within the next 5 years.

6  
7     **Q.     Mr. Miller, is the Agreement in the public interest?**

8     **A.     Yes, it is.**  
9

10    **Q.     Would you summarize the reasons that lead Staff to conclude that the Agreement is**  
11       **fair, balanced, and in the public interest?**

12    **A.     This Agreement addresses all the issues identified in the original Staff Complaint filed**  
13       against DG and increases the level of operational safety at this facility going forward.  
14       Parts 1, 2, 3, 4, and 5 all meet or exceed current regulatory requirements and will serve to  
15       enhance pipeline and public safety. Payment of a \$7,500 civil penalty coupled with a  
16       potential civil penalty of \$42,500 serve as an appropriate deterrent to any future violations.

17  
18    **Q.     Is there anything else you would like to add to your testimony?**

19    **A.     No, there is not.**  
20

21    **Q.     Does this conclude your testimony?**

22    **A.     Yes.**